



Accelerated Microenterprise Advancement Project (AMAP)

Microfinance Indefinite Quantity Contract

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Annual Performance Report No. 1

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Prepared by:
Chemonics International

Consortium members include:
Chemonics International Inc • American Refugee Committee
Bankworld Inc • Enterprising Solutions • Edelman Communications • echange L.L.C.
IDP • IRIS • the Marriott School • Shorebank Advisory Services

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A. Contributing to AMAP Program Objectives

The objectives of the Accelerated Microenterprise Advancement Project and the Chemonics consortium are to:

- Expand the delivery of financial services to microentrepreneurs and low-income households;
- Increase the capacity of financial providers to serve microenterprises;
- Expand the dissemination of best practices in USAID-sponsored programs in the microfinance field; and to
- Promote the development and adoption of policy, laws and regulation that encourage the start-up, stabilization, and competitiveness of microenterprises and the institutions and markets that serve them.

Throughout this year the Chemonics consortium has worked towards these objectives while also maintaining our commitment towards superior performance in the areas of technical competence, cost control, timeliness and responsiveness, business relations and small business subcontracting. Examples of this commitment include:

- *Involving subcontractors.* Our subcontractors played critical roles in developing our response to USAID's Office of Microenterprise Development's (MD) Knowledge Generation request for proposal this spring – and all other task order proposals to date. For Knowledge Generation we received more than 20 proposals from our 9 subcontractors.
- *Cost control.* Under task order 800 to evaluate USAID/Bolivia's rural financial services program our team completed the assignment under budget and in less time than originally contemplated, resulting in cost savings to the government.
- *Technical competence.* The Chemonics consortium was awarded additional research topics under the USAID Knowledge Generation task order. In a meeting with the project officer it was noted that Chemonics' proposal was extremely logical, well organized, and conceptually compelling.
- *Quality of product or service.* The report produced under the USAID/Bolivia rural financial services evaluation contained clear, concise and well structured recommendations which were commended by the client.

B. Activities and Accomplishments During the Year 2002-2003

During the year our activities and accomplishments focused on responding to USAID requests for proposals and strengthening our consortium relations so to provide timely, high quality assistance to USAID.

Consortium integration. In December of 2002, we hosted an all-day workshop with representatives from all of our AMAP/Microfinance consortium members. The goal of the meeting was to build a strong AMAP/Microfinance team and allow our subcontractors to better know one another as well as obtain a better understanding of the AMAP/Microfinance IQC contract. We also discussed optimal methods for communicating and coordinating efforts under the contract.

At the workshop, each member of the consortium was given the opportunity to present his or her organization's experiences in the field of microfinance and to discuss the ways their organization could contribute to achieving AMAP objectives. All members of the consortium then worked together to develop guidelines for communications, proposal development and knowledge sharing under the IQC.

Chemonics also created a website accessible to all consortium members to encourage communications and to serve as a forum for sharing knowledge and experiences gained under the AMAP/Microfinance IQC. The site is equipped with tools to assist subcontractors in the development of task order proposals as well as tools to ensure the rapid deployment of technical assistance to USAID missions and bureaus.

Responding to USAID requests for proposals. During year, the Chemonics AMAP/Microfinance consortium received 4 requests for task order proposals from USAID missions – Bolivia, El Salvador, Malawi and Morocco – and one request from USAID/MD.

Of these five requests for proposals the Chemonics consortium responded to four in a timely manner to provide USAID with high quality consultants and technical assistance services; we opted out of responding to the fifth RFP. As a result we were ordered two of the four task orders. In all cases we heavily involved our subcontractors in the proposal process and included subcontractor personnel on all proposals.

B1. Task Order Proposals Submitted

Knowledge Generation. On March 11, 2003, the Chemonics AMAP/Microfinance consortium submitted its proposal for the Financial Services Knowledge Generation task order to USAID/MD in Washington, DC. Building from the technical topics highlighted in the RFP, the Chemonics consortium proposed to develop subtopics from each of the four following themes:

- Strengthening the enabling environment
- Enhancing MFI management and operations
- Understanding and serving clients better
- Increasing access to commercial sources of capital.

Chemonics' proposal included four long-term research initiatives in the areas of rural finance, microfinance in conflict-affected areas, access to private capital, and outreach and self-sufficiency. In addition, Chemonics proposed 3 short-term research projects focusing on creating enabling environments for microfinance.

In September, we were awarded a 3-year, \$2.7 million task order to conduct research, establish best practices and create new tools and strategies to further accomplishments in the field of microfinance. Led by Anita Campion, research director, our research will feed into an overall, collaborative AMAP knowledge management system which will synthesize and disseminate knowledge to practitioners and USAID, as well as to policy makers and other donors. We will contribute to USAID's long-term microenterprise learning agenda through desk studies, applied research, action research, technical services, conferences, seminars and other activities focusing on the following topics:

- Successes and Failures in Rural Finance and Lessons Learned
- Microfinance in Conflict-Affected Areas
- Expanding Access to Capital for MFIs
- Managing Outreach
- Mergers and Acquisitions
- Alternative Products and Delivery Methods
- Legal and Regulatory Framework Assessment Tool
- Hybrid Models for Regulation and Supervision
- Public Goods to Support MFIs
- Lessons Learned from IGP Grant Recipients.

Rural Financial Services Assessment, USAID/Bolivia. On April 9, 2003, the Chemonics AMAP/Microfinance consortium submitted its proposal for the Rural Financial Services (SEFIR) Activity assessment task order to USAID/Bolivia. Chemonics and Enterprising Solutions proposed a total of 46 days level of effort to evaluate the implementation of activities under each of the three components of the SEFIR project: Innovation and Expansion; Microfinance Industry Development; and Policy and Regulatory Environment. We were awarded the task order in May 2003.

Microfinance Industry Strengthening, USAID/Morocco. In July the Chemonics consortium submitted a proposal to USAID/Morocco to strengthen the microfinance industry. Together with members of our consortium – American Refugee Committee, Bankworld Inc., Enterprising Solutions, echange LLC, and Shorebank Advisory Services – Chemonics assembled a high-caliber team to expand and strengthen the microfinance sector in Morocco by providing technical expertise and support to microfinance institutions (MFIs) and their federation, the Fédération Nationale des Associations de MicroCrédit (FNAM). While USAID/Morocco awarded the task order to DAI, we successfully assembled an exceptional team and quickly responded to the mission's request. Chemonics incorporated small and women-owned small business consortium members into this task order, as well as all of our task order proposals to date.

Microfinance Assessment, USAID/Malawi. In September the Chemonics consortium also submitted a task order proposal to USAID/Malawi to complete an assessment of the country's microfinance sector. We quickly recruited and assembled a highly-experienced team with first-hand knowledge of the local microfinance environment in Malawi. Contract award is still pending; if selected, the Chemonics team will provide USAID/Malawi with an overview of the microfinance sector in Malawi as well as a set of recommendations on possible future technical

assistance in microfinance savings and lending, including how donors can support microfinance sector development as an integral part of Malawi's financial system.

B2. Task Orders Awarded

B2a. Task Order 800, Mid-Term Evaluation of the Rural Financial Services Activity

Technical summary. USAID/Bolivia awarded Chemonics its first task order under the AMAP/Microfinance indefinite quantity contract on May 8, 2003. Under task order number 800, USAID/Bolivia contracted Chemonics to complete a mid-term evaluation of the mission's Rural Financial Services (SEFIR) activity. The objectives of the evaluation were to:

- Assess whether the RFS scope best responded to the sector needs given the socio-economic situation of Bolivia;
- Examine whether RFS activities had resulted, or had the potential to result in, positive and sustainable impacts to microfinance institutions and the sector as a whole;
- Determine if SEFIR implementation strategies were proving to be effective in achieving RFS objectives; and
- Recommend any necessary adjustments to the RFS Activity scope or implementation structure to better suit the current socio-economic environment, to better match the individual experience and skills of the long-term technical assistance team, and to enable future expansion to rural areas.

Chemonics and Enterprising Solutions fielded Steve Smith, Microenterprise Strategic Planning Specialist and Michael Steidl, Legal and Regulatory Specialist on May 20, 2003 to begin the evaluation. Over the course of the first two weeks of their assignment, Mr. Smith and Mr. Steidl interviewed USAID staff, the SEFIR project team, partner microfinance institutions, other donor agencies in Bolivia and the Bolivian Superintendency of Banks. The evaluation team then organized their findings from these interviews as well as SEFIR publications and presented them along with a series of recommendations for the project to USAID staff. The evaluation team incorporated their conclusions and recommendations in a final report for USAID/Bolivia submitted on June 23, 2003.

Impact. The report concluded that while the project was making progress towards achieving its objectives there was room for improvement in the technical approach and management of the activity. For more information about the evaluation please contact Ms. Gabriela Salazar at the USAID/Bolivia mission.

B3. Impact and Lessons Learned

During the reporting period only one task order, the evaluation of the SEFIR project, was awarded. For this reason, our impact on the microfinance industry under the AMAP/Microfinance IQC was achieved through sharing knowledge in proposals, dialoguing with USAID and meeting with other contractors. During the next year we expect to advance work under several other task orders and will at that time fully capture project impact and lessons learned.

C. Publications

This year, Chemonics published and submitted the following reports to USAID:

- *Bolivia: Mid-Term Evaluation of the Rural Financial Services Activity* written by Steven Smith and Michael Steidl under AMAP/Microfinance task order number 800.

D. Management and Administrative Issues

D1. Meetings Attended

In November of 2002, Melissa Logan, IQC project manager, attended the AMAP Partners Meeting hosted by USAID in Washington. Ms. Logan had the opportunity to meet with and ask questions of USAID staff and to team up with other AMAP contractors to discuss ways to collaborate and share information across AMAP contracts.

In the second quarter, as part of the clarification process for the Financial Services Knowledge Generation task order request for proposal, representatives of Chemonics met with Liza Valenzuela and Barry Lennon of USAID's Office of Microenterprise Development. During this meeting, Ms. Valenzuela and Mr. Lennon gave the Chemonics team the opportunity to respond to the initial draft scope of work for the proposed task order and to receive clarification on several items related to the proposal. The Chemonics team was extremely pleased with USAID's initiative to open dialogue about this important task order as it allowed for greater collaboration between USAID and AMAP contractors in the proposal process.

D2. Problems Encountered and Solutions Adopted

Adjustments to Annual Work Plan. IQC Project Manager, Melissa Logan, spoke with AMAP/Microfinance Contracting Officer, Michael Gushue, and with Technical Officer, Barry Lennon during the second quarter of 2003 to receive further clarification on the Annual Work Plan – per the IQC each contractor must submit an annual work plan, however no task orders had been issued making it impossible to comply with the requirement. Mr. Lennon advised that the Chemonics consortium could wait until it had been awarded additional task orders under the IQC to develop its Annual Work Plan for this year.

Organizational Conflict of Interest. In April 2003 Chemonics requested that the Organizational Conflict of Interest clause in our contract be updated with the more recent version. After alerting AMAP Contracting Officer, Michael Gushue regarding this issue Mr. Gushue agreed to undertake an administrative action to make the change. He explained that an older clause was erroneously placed in the contract by the ProDocs drafting system. He stated that newer language from Contract Information Bulletin no. 99-17 should have been included in the core IQC the contract. This modification will change the period of ineligibility from 36 to 18 months. As of October 30, 2003, receipt of this modification from the USAID Contracts office is still pending.

No other problems have been encountered.